

## **Historic, Archive Document**

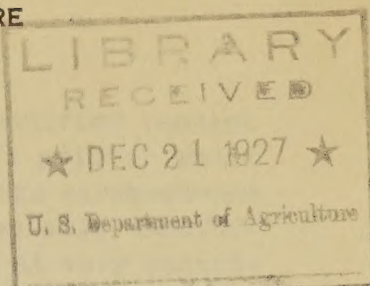
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UNITED STATES DEPARTMENT OF AGRICULTURE  
BUREAU OF AGRICULTURAL ECONOMICS  
WASHINGTON, D. C.



PRINCIPAL FEATURES OF FEDERAL WAREHOUSE SYSTEM.

ELIGIBLE WAREHOUSEMEN. Any reputable warehouse operating organization, having a suitable warehouse building available and conducting a public storage business, storing cotton or any of the other eligible products. Other products may be stored in the warehouse but Federal licensed receipts may only be issued for cotton or other product for the storage of which license is desired. The applicant warehouseman, if a cotton warehouse is to be operated, must agree to operate according to the requirements of the United States warehouse Act and regulations for cotton warehouses thereunder. (Copy of Regulations and Statute furnished herewith.) The government does not operate the warehouses under this system but merely licenses the operator to do so under authority of the Act and supervises the operation through a system of inspection after the license is issued.

HOW TO APPLY. File an application on the form that is furnished herewith. On receipt of the application, an inspector will be detailed to visit the applicant for the purpose of making an original examination and obtaining all documents and information necessary to a consideration of the application. In case of corporations applying for license, the charter must show authority to engage in a public storage business. A copy of the charter or articles of incorporation will be required. It is advisable that there be disinterested custodianship of the cotton in the warehouse set-up. In other words, a set-up should be provided wherein the owner of the stored goods is not at the same time the warehouseman.

ASSETS REQUIREMENT. The applicant must be able to show net assets over and above liabilities to the extent of at least \$5.00 per bale in the capacity of the warehouse. The maximum required assets are \$100,000. and the minimum \$5,000. However, a deficiency in the required assets may be supplied by an increase in the amount of the bond. A sworn financial statement will be required in this connection.

BOND. A corporate surety bond in an amount based on the storage capacity of the warehouse at the rate of \$5.00 per bale of the capacity of the warehouse will be required. Form for this bond will be furnished by the inspector at the time of the original examination. The maximum required bond is \$50,000, and the minimum bond acceptable \$5,000. In cases where more than one warehouse is operated in a single state by a responsible operating organization, a single bond based on the combined capacities of the several warehouses may be accepted, the above maximum and minimum applying.







RECEIPTS. Licensed warehousemen are required to use a specified receipt form, the printing of which is done by a bonded contract printer under the supervision of the government and on orders placed by the warehousemen through the government. The receipts are printed on specially manufactured safety paper in attractive design and are furnished at very reasonable prices, quality and workmanship considered. Single bale receipts are recommended and most generally used by Federal warehousemen. Their use, however, is not obligatory. Block receipts may be used with certain restrictions.

INSPECTIONS. After the application is approved and the license is issued, the warehouse is subjected to at least four examinations per year by Federal inspectors. The inspections are very thorough and include complete audits of stocks against outstanding receipts and warehouse records and a determination as to whether or not operation is according to the requirements of the law and regulations. These inspections compare in a measure with national bank examinations but are made at no expense to the warehousemen.

DUTIES OF WAREHOUSEMEN. According to the regulations, a copy of which is enclosed, (see particularly Regulation 5, beginning on page 9 of the enclosed pamphlet.)

GRADING AND WEIGHING. Every receipt issued under the Federal system must show the tag number and weight of the bale covered. Grade and staple may be omitted if the depositor requests, but only on such request. It is necessary, therefore, that there be qualified persons available to weigh the stored cotton and also to grade in case the latter service is desired. Weighers and graders may obtain licenses under the United States warehouse Act also, if such is desired.

COSTS, FEES, ETC. The government will charge a nominal original examination fee at the rate of \$5.00 for each 1,000 bales of the storage capacity of the warehouse, the minimum fee being \$5.00 and the maximum \$100. Advance deposit of this fee, in the form of check or draft payable to Disbursing Clerk, U. S. Department of Agriculture, should accompany the application. In addition, there will be a fee of \$2.00 for the issuance of the license. Licenses are continuous when issued and the above constitutes all fees the warehouseman is required to pay during the time his license remains effective. The warehouseman, of course, pays the premium on his bond annually to the bonding company to keep it in effect.

PURPOSE OF THE SYSTEM. The prime purpose of the Federal warehouse system is to create a warehouse receipt that is a prime bank collateral and thus to aid in financing on the stored goods. Every feature of the system is designed to safeguard the collateral value of the receipt, the interests of the warehouseman and that of his depositors.



